

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6491

BILL NUMBER: HB 1270

DATE PREPARED: Nov 27, 2001

BILL AMENDED:

SUBJECT: COLA for State Police Retirees.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: This bill:(1) provides a cost of living adjustment (COLA) to members of the 1987 State Police Benefit System who retired or were disabled after July 1, 1987, and before July 2, 2001, and are at least 60 years of age. It provides that a member is not entitled to a COLA if the member's pension benefits exceed the pension benefits received by a trooper retiring July 1, 2002, with 25 years of service;

(2) reduces from 20 to ten the years of service required for a retired member of the State Police Pre-1987 Benefit System (Pre-1987 System) to be eligible for the basic supplemental pension benefit;

(3) provides that the amount of the supplemental pension is equal to 50% of the total increase occurring after the retiree's retirement date in the pension benefits to be received by an employee retiring from the Department with 20 years of service;

(4) provides that the supplemental pension benefit is increased 5% per year for each year of active service over 20 years to a maximum of 30 years of active service, which service entitles a retiree to receive 100% of the total increase occurring after the retiree's retirement date in the pension benefits of employees who retire with 20 years active service; and

(5) provides a COLA to retired or disabled members of the pre-1987 system.

Effective Date: July 1, 2002.

Explanation of State Expenditures: The estimated fiscal impact of this bill is shown in the table below:

<u>Increase in Unfunded Liability</u>	<u>Fiscal Year</u>	<u>Increase in Supplemental Benefits Payable</u>
\$23.95 M	2003	\$1,045,141
	2004	\$1,146,802
	2005	\$1,271,329
	2006	\$1,415,838
	2007	\$1,458,313

The funds affected are the State General Fund (50%) and the Motor Vehicle Highway Account (50%). These funds support the State Police pension plans equally.

Background and Assumptions: (1) This provision grants a cost of living adjustment (COLA) to members of the 1987 State Police Benefit System who retired or were disabled after July 1, 1987, and before July 2, 2000, and who are at least 60 years of age. It provides that the COLA is equal to the lesser of 2% or the amount by which the maximum monthly salary paid to a State Police employee in the rank of trooper exceeds the member's monthly benefit. It has been assumed that this increase is a one-time increase to current retirees only and not an on-going cost of living adjustment.

(2) This bill provides that a retired member of the State Police Pre-1987 Benefit System becomes eligible for the basic supplemental pension benefit if the member has at least 10 years of service with the State Police Department. This section reduces the service requirement for supplemental benefits from 20 years to 10 years for members of the Pre-1987 Plan.

(3) The bill also provides that the amount of the supplemental pension is equal to 50% of the total increase occurring after the retiree's retirement date in the pension benefits to be received by an employee retiring from the Department with 20 years of service.

(4) This provision states that the maximum supplemental pension benefit that a retired member of the State Police Pre-1987 Benefit System may receive is 100% of the total increase occurring after the retiree's retirement date in the pension benefits of employees who retire with 20 years active service.

Sections 3 and 4 change the calculation of the supplemental benefit from a percentage of the difference between the current 20-year benefit and the member's original benefit to a percentage of the difference between the current 20-year benefit and the 20-year benefit at the member's date of retirement. This change will apply to all retirees.

NOTE: Sections 2, 3, and 4 have been read together for members of the Pre-1987 Plan to mean that the percentage of the benefit increase that is applied to a member's benefit is 50% for all retirees with 10 to 20 years of service and increases by 5% per year for years over 20, so that a retiree with 30 years of service receives 100% of the increase.

(5) This section provides a COLA to retired or disabled members of the State Police Pre-1987 Benefit System. This is a one-time COLA increase of 2%, 3%, or 4%, (depending upon retirement date) to members who retired or became disabled before July 2, 2000.

NOTE: It was assumed for the Pre-1987 Plan that the salary of a third-year trooper increases annually by 6%. The supplemental benefit is based on this figure. It has been assumed that the supplemental benefits of current retirees increase by slightly less than 6% annually. Also, it is anticipated that the annual increase in supplemental benefits will be greater than the additional increase provided by part 5 of the bill for most retired members of the Pre-1987 Plan.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: State Police.

Local Agencies Affected:

Information Sources: Doug Fiddler of McCready & Keene, Inc., actuaries for the State Police Plans, 576-1500.